

City of Essex Junction Fund Balance Policy

The City of Essex Junction wishes to establish a Fund Balance Policy for its governmental funds in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 – “Fund Balance Reporting and Government Fund Type Definitions”. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result amounts previously reported as reserved and unreserved will now be reported as nonspendable, restricted, committed, assigned or unassigned. Definitions of the categories of fund balance are as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent. This includes amounts that are not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable) and amounts that are legally or contractually required to remain intact, such as the principal of an endowment fund.
- **Restricted** fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers (for example grant providers), or imposed by law through a constitutional provision, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use such as impact fees).
- **Committed** fund balance can be used only for purposes pursuant to constraints imposed by a formal action by the voters, the City of Essex Junction’s highest level of decision-making authority. This formal action is the approval of articles at the annual or a special City meeting, specifying the purposes (which can be general or specific) for which amounts can be used. The same type of formal action is necessary to remove or change the use. Examples of this are the balances in our Rolling Stock Reserve and our General Fund Capital Reserve. In these two funds the fund balances are committed to the general purpose of the fund but not to individual projects. The dollars in these funds are controlled by the City Council (i.e., the amounts are assigned and/or reassigned to specific projects/equipment by a vote of the City Council)
- **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent will be expressed by a vote of the City Council. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- **Unassigned** fund balance is the residual amount of the General Fund not included in the four categories above. In addition, any deficit fund balances in other governmental funds will be reported as unassigned.

When both restricted and unrestricted (committed, assigned and unassigned) amounts are available for a specific use, generally it is the City’s policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the City’s policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

At the April 12, 2022 Annual Meeting, the voters authorized “the Village to maintain and administer an unrestricted fund balance of up to 15% of the current year General Fund Operating budget, and require any amount over 15% be used to stabilize subsequent tax rates”. In accordance with the above changes in how fund balance is defined, the Trustees interpret the term “fund balance” in the April 12, 2022 vote to mean unassigned fund balance.

Adopted by the Village Trustees on 9/27/11. Revised and adopted by the City Council on 3/27/24.